

Transportation Trust Fund: Assessment of the Legislative Session Impact

Reconciliation of General Fund / TTF Revenues

The Budget Reconciliation and Financing Act of 2011 (BRFA) divorces the revenue relationship between the general fund and the TTF by ending ongoing revenue transfers between the two funds. The TTF, the general fund, and local jurisdictions are held harmless relative to the fiscal 2012 allowance. The following actions were implemented to effect the revenue reconciliation:

- Beginning in fiscal 2012, the TTF share of the sales tax is permanently credited to the general fund;
- The TTF share of the corporate income tax is lowered; and,
- The distribution of Highway User Revenues (HUR) to the general fund is reduced in fiscal 2012 and is entirely credited to the TTF starting in fiscal 2013. As a result, the TTF share of HUR will increase from the traditional 70% up to 90.0% in fiscal 2013 and remain at 90.4% thereafter.

One-time Transfers

The BRFA transfers \$100 million from the TTF with \$60 million directed to the general fund and \$40 million to the Rainy Day Fund. It also provides for the repayment of the \$100 million. The Reconciliation plan above repays \$60 million from fiscal 2014 to 2016. The new revenue from the certificate of title fee (discussed below) is to be considered as repayment of the \$40 million transfer to the Rainy Day Fund.

In addition, the BRFA includes a provision that prohibits the transfer of State TTF revenues to the general fund unless legislation provides for repayment of the funds within five years. This provision was in lieu of a constitutional amendment prohibiting transfers.

Additional Local Government Highway User Revenues

Adjustments were made to the local distribution of HUR. Counties and municipalities receive an additional \$13.3 million in fiscal 2012. Of this, municipalities receive an additional \$8.3 million, and the counties receive an additional \$5.0 million. The out-years increase slightly from the allocation percentage not needed to balance the GF/TTF reconciliation.

Additional Transportation Revenues

The BRFA implements several modifications to statutory provisions relating to transportation revenues and policy. TTF revenues are expected to increase by approximately \$58.6 million starting in fiscal 2012 due to the actions described below.

- The certificate of title fee for vehicles was increased from \$50 to \$100; however, rental car transactions are exempt from the increase for three years. Half of the revenue from the certificate of title fee is dedicated to the TTF and half will continue to be credited to the Motor Vehicle Administration (MVA) to assist in meeting its cost recovery requirement. The increase is estimated to generate approximately \$52.4 million in the first year for the TTF.
- The annual "vanity tag" fee was also increased from \$25 to \$50, which is estimated to increase TTF revenues by approximately \$2.5 million.
- The dealer vendor credit was lowered from the lesser of \$24 or 1.2% of the titling tax the dealer collects to the lesser of \$12 or 0.6%, increasing TTF revenues by approximately \$3.7 million.
- The vehicle dealer processing charge was increased from \$100 to \$200 for three years and then rises to \$300 permanently. While this charge is retained by the dealer, it is included in the vehicle purchase price and will have a small positive impact on TTF titling tax revenues.

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Fiscal Year	2012	2013	2014	2015	2016	'12-'16
(Dollars in Millions)						
Reconciliation of GF/TTF & 1-time Transfer						
Sales Tax - goes to General Fund	(212)	(225)	(289)	(301)	(312)	(1,339)
Corporate Income Tax - portion to GF		(112)	(37)	(39)	(40)	(228)
General Fund's HUR - back to TTF	250	337	353	365	373	1,678
One-time Transfer to Rainy Day Fund	(40)					(40)
Total TTF Change from Reconciliation	(2)	0	27	25	21	71
Additional Local HUR						
One-time Additional Allocation to Locals	(13)					(13)
Balance from GF back to TTF change		(3)	(4)	(4)	(4)	(15)
Total Increase in Local HUR	(13)	(3)	(4)	(4)	(4)	(28)
Additional Transportation Revenues						
Certificate of Title Fee Increase	52	59	64	70	71	316
Vanity Tag Fee Increase	2	2	2	2	2	10
Dealer Vendor Credit Reduction	4	4	5	5	6	24
Total Increase in TTF Revenues	58	65	71	77	79	350
Net Increase to TTF						
	43	62	94	98	96	393